

REPORTING INSTRUCTIONS FOR ACCOUNTS INVESTED IN DEPARTMENT OF THE TREASURY SECURITIES

This chapter provides detailed reporting instructions to correctly disclose premium, discount, and accrued interest on accounts invested in Department of the Treasury (Treasury) securities.

Section 4310 - Introduction

SF 224: Statement of Transactions, is used for reporting this information. Adherence to these reporting instructions will not only assure parity in Treasury accounting and Office of Management and Budget (OMB) budget data, but will also promote a more accurate statement of available resources and program activity in accounts.

Section 4315 - Authority

Provisions of 31 U.S.C. 3513 require the Secretary of the Treasury to prepare reports on the financial operations of the U.S. Government. Each executive agency must furnish data on its financial condition and operations to the Secretary of the Treasury.

Section 4320 - Definition of Terms

Accrued Interest - The interest earned on a security instrument that has not been paid or received.

Discount - The difference between the price and the par value when less than par value is paid or received for a security.

Par Value - The stated or face amount of a security.

Premium - The difference between the price and the par value

when more than par value is paid or received for a security.

Purchase of Accrued Interest - The amount of interest purchased when a security is purchased between interest payment dates.

Subclass Prefixes - Prefixes used with expenditure accounts (revolving, trust, and special funds) to classify various types of transactions.

Unrealized Discount - The value of the discount carried until a security is redeemed or matures.

Section 4325 - Availability of Funds

Funds may **not** be invested before the funds are deposited, collected and **available to Treasury**. Agencies generally may consider funds to be available two days after the date of the deposit. Refer to TFM Bulletin 94-07 for more detail about the availability of deposited funds.

Section 4330 - Reporting Requirements

Principal transactions for Government accounts must be recorded at par value to accurately reflect the outstanding public debt. This causes a problem in how to record discount, premium, and accrued interest.

Since discount, premium, and accrued interest transactions affect the various funds differently, these transactions are explained by fund type. The following fund types are addressed in instructions for investment transactions:

- Revolving (4000 Series) and Trust Revolving (8400 Series) Funds.
- Deposit Fund (6000 Series).
- Special (5000 Series) and Trust (8000 Series) Funds.

Entries to Public Debt accounts for principal (20X6822.56) and interest (20X6822.57) are not affected by these instructions, but are shown in appendices 1, 2, and 3.

4330.10 - Revolving (4000 Series) and Trust Revolving (8400 Series) Funds

General. Since separate receipt accounts are not set up for revolving and trust revolving funds, all transactions will be recorded against the expenditure account according to subclass prefixes. The following prefixes will be used in the reporting instructions:

- 88 - Investment in U.S. securities (par).
- 98 - Redemption of U.S. securities (par).

- 75 - Unrealized Discount on Treasury securities.
- 76 - Earnings on Treasury securities (revolving and trust revolving).

Discounts, premiums, and accrued interest for revolving funds are explained below:

a. Discount. Assume a bill is purchased with a par value of \$1,000,000 at a price of \$974,000. The par value is recorded as a disbursement with a subclass 88. The discount amount is recorded as a receipt with a subclass 75 (Appendix 1, Transaction A).

If this security is held until maturity, the par value would be reported as a receipt with a subclass 98. The discount on purchase would be reversed by recording a negative receipt (credit) using subclass 75 and the earned discount would be recorded as a receipt with a subclass 76 (Appendix 1, Transaction B). This would result in net earnings of \$26,000.

If this security is sold before maturity at a price of \$980,000, the par value would be recorded as a receipt with a subclass 98. The discount would be reversed by recording a negative receipt (credit) using subclass 75 and the earned discount would be recorded as a receipt with a subclass 76 (Appendix 1, Transaction C). This would result in net earnings of \$6,000.

b. Premium. Assume a note is purchased with a par value of \$1,000,000 at a price of \$1,030,000. The par value is recorded as a disbursement with a subclass 88, and the premium amount is recorded as a negative receipt (credit) with a subclass 76 (Appendix 1, Transaction D).

If this security is held until maturity, the par value would be reported as a receipt with a subclass 98 (Appendix 1, Transaction E). The result would be a net loss of

\$30,000, which is offset by interest earned during that period.

If this security is sold before maturity at a price of \$1,020,000, the par value would be recorded as a receipt with a subclass 98, and the premium would be recorded as a receipt with a subclass 76 (Appendix 1, Transaction F). This would result in a net loss of \$10,000, which is offset by interest earned during that period.

c. Accrued Interest. Assume a note is purchased on May 31 with a par value of \$1,000,000 paying 12 percent per annum, with interest payment dates of April 30 and October 31 (assume the price is equivalent to par). Since the fund will be receiving interest for the entire period on October 31, even though the security has not been held for the entire period, the purchase of this interest is recorded as a reduction in earnings. This example would result in the purchase of \$10,108.70 in accrued interest and recorded as a negative receipt (credit) with a subclass 76 (Appendix 1, Transaction G).

When interest is paid on October 31, the fund will receive \$60,000 interest for the entire period, which is recorded as a receipt with a subclass 76 (Appendix 1, Transaction H). This would result in net earnings for the period of \$49,891.30.

4330.20 - Deposit Fund (6000 Series).

Deposit fund accounts do not have separate receipt accounts. However, investment transactions for these accounts are not recorded with subclass prefixes. These accounts are extra budgetary; therefore, the investment activity is not captured for budgetary purposes. All transactions for deposit funds are recorded net in column 3. Appendix 2 illustrates the reporting of transactions for deposit funds

using the same amounts as shown in the revolving fund examples.

4330.30 - Special (5000 Series) and Trust (8000 Series) Funds

General. These accounts have separate receipt accounts for the different types of activities flowing through them. The following point account and subclass are generally used to distinguish unrealized discount and earnings transactions:

- 75 - Unrealized discount.
- 2 - Earnings.

Discounts, premiums, and accrued interest for special and trust funds are explained below.

a. Discount. A receipt account with a subclass 75 is used to record unrealized discount incurred at the time of purchase for invested special and nonrevolving trust funds. This treatment of unrealized discount is necessary because the amount represented by the discount is an anticipated budgetary resource that may not be realized, but must be identified as such. Assume a bill is purchased with a par value of \$1,000,000 at a price of \$974,000. The par value is recorded as a disbursement with a subclass 88 and the unrealized discount is recorded as a receipt with a subclass 75 (Appendix 3, Transaction A).

If the security is held until maturity, the par value is recorded as a receipt with a subclass 98. The discount on purchase would be reversed by recording a negative receipt (credit) using subclass 75 and the earned discount would be recorded as a receipt using the receipt (point) account for earnings (Appendix 3, Transaction B). This would result in net earnings of \$26,000.

If the security is sold before maturity at a price of \$980,000, the par value would be recorded as a receipt with a subclass 98. The

discount on purchase would be reversed by recording a negative receipt (credit) using subclass 75 and the earned discount would be recorded as a receipt using the receipt (point) account for earnings (Appendix 3, Transaction C). This would result in net earnings of \$6,000.

b. Premium. Assume a note is purchased with a par value of \$1,000,000 at a price of \$1,030,000. The par value is recorded as a disbursement with a subclass 88, and the premium amount is recorded as a negative receipt (credit) using the receipt (point) account for earnings. (Appendix 3, Transaction D).

If this security is held until maturity, report the par value as a receipt with a subclass 98 (Appendix

3, Transaction E). In this example it appears that a \$30,000 loss was incurred. However, the amount of premium paid on purchase is offset by the interest earnings during the time the security was held so that over time the net amount of purchase premiums and interest will result in earnings on investment.

If this security is sold before maturity at a price of \$1,020,000, the par value is reported as a receipt with a subclass 98 and the premium is reported as a receipt using the receipt (point) account for earnings (Appendix 3, Transaction F).

c. Accrued Interest. Assume a note is purchased on May 31 with a par value of \$1,000,000 paying 12 percent per annum, with interest payment dates of April 30 and October 31 (assume the price is equivalent to par).

Since the fund will be receiving interest for the entire period on October 31, even though the security has not been held for the entire period, the purchase of this interest is recorded as a reduction in earnings. The accrued interest of \$10,108.70 would be recorded as a negative receipt (credit) using the receipt (point) account for earnings (Appendix 3, Transaction G).

When interest is paid on October 31, the fund will receive \$60,000 interest for the entire period, which is recorded as a receipt using the receipt (point) account for earnings (Appendix 3, Transaction H). This would result in net earnings for the period of \$49,891.30.

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CONTACTS

Questions concerning this chapter should be directed to:

**Department of the Treasury
Bureau of Public Debt
Office of Public Debt Accounting
Government Investment Team
P. O. Box 1328
Parkersburg, WV 26101-1328
(Telephone: 304-480-5151)**

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APPENDICES LISTING

App. No.	Form	Title
1	SF 224	Statement of Transacions (Illustrates the Reporting of Transactions for Revolving Funds and Trust Revolving Funds)
2	SF 224	Statement of Transactions (Illustrates the Reporting of Deposit Funds)
3	SF 224	Statement of Transactions (Illustrates the Reporting of Special and Trust Funds)

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Standard Form 224 Revised 5-82 Department of the Treasury		
STATEMENT OF TRANSACTIONS (Classified According to Appropriation, Fund and Receipt Account, and Related Control Totals)		
DEPARTMENT OR AGENCY	LOCATION - MAIL ADDRESS OF REPORTING OFFICE	AGENCY LOCATION CODE (ALC)
BUREAU OR OFFICE		ACCOUNTING PERIOD ENDED
Section I—Classification of Disbursements and Collections by Appropriation, Fund and Receipt Account		
APPROPRIATION FUND OR RECEIPT ACCOUNT (1)	RECEIPTS AND REVOLVING FUND REPAYMENTS (2)	NET DISBURSEMENTS (3)
Discount Transaction A - Purchase (88) 20X4123 (75) 20X4123 20X6822.56 20X6822.57	<u>REVOLVING & TRUST REVOLVING FUNDS</u> 26,000.00	1,000,000.00 1,000,000.00CR 26,000.00
Discount Transaction B - Maturity (98) 20X4123 (75) 20X4123 (76) 20X4123 20X6822.56	1,000,000.00 26,000.00CR 26,000.00	1,000,000.00
Discount Transaction C - Redemption (98) 20X4123 Prior to (75) 20X4123 Maturity (76) 20X4123 20X6822.56 20X6822.57	1,000,000.00 26,000.00CR 6,000.00	1,000,000.00 20,000.00CR
Premium Transaction D - Purchase (88) 20X4123 (76) 20X4123 20X6822.56 20X6822.57	30,000.00CR	1,000,000.00 1,000,000.00CR 30,000.00CR
Premium Transaction E - Maturity (98) 20X4123 20X6822.56	1,000,000.00	1,000,000.00
Premium Transaction F - Redemption (98) 20X4123 Prior to (76) 20X4123 Maturity 20X6822.56 20X6822.57	1,000,000.00 20,000.00	1,000,000.00 20,000.00
Accrued Interest Transaction G - Purchase (88) 20X4123 (76) 20X4123 20X6822.56 20X6822.57	10,108.70CR	1,000,000.00 1,000,000.00CR 10,108.70CR
Interest Transaction H - Payment (76) 20X4123 20X6822.57	60,000.00	60,000.00

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Standard Form 224
Revised 5-82
Department of the Treasury

STATEMENT OF TRANSACTIONS

(Classified According to Appropriation, Fund and Receipt Account, and Related Control Totals)

DEPARTMENT OR AGENCY	LOCATION - MAIL ADDRESS OF REPORTING OFFICE	AGENCY LOCATION CODE (ALC)
BUREAU OR OFFICE		ACCOUNTING PERIOD ENDED

Section I—Classification of Disbursements and Collections by Appropriation, Fund and Receipt Account

APPROPRIATION FUND OR RECEIPT ACCOUNT (1)	RECEIPTS AND REVOLVING FUND REPAYMENTS (2)	NET DISBURSEMENTS (3)
Discount Transaction A - Purchase 20X6123 20X6822.56 20X6822.57		974,000.00 1,000,000.00CR 26,000.00
Discount Transaction B - Maturity 20X6123 20X6822.56		1,000,000.00CR 1,000,000.00
Discount Transaction C - Redemption Prior to Maturity 20X6123 20X6822.56 20X6822.57		980,000.00CR 1,000,000.00 20,000.00CR
Premium Transaction D - Purchase 20X6123 20X6822.56 20X6822.57		1,030,000.00 1,000,000.00CR 30,000.00CR
Premium Transaction E - Maturity 20X6123 20X6822.56		1,000,000.00CR 1,000,000.00
Premium Transaction F - Redemption Prior to Maturity 20X6123 20X6822.56 20X6822.57		1,020,000.00CR 1,000,000.00 20,000.00
Accrued Interest Transaction G - Purchase 20X6123 20X6822.56 20X6822.57		1,010,108.70 1,000,000.00CR 10,108.70CR
Interest Transaction H - Payment 20X6123 20X6822.57		60,000.00CR 60,000.00

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Standard Form 224 Revised 5-82 Department of the Treasury		
STATEMENT OF TRANSACTIONS (Classified According to Appropriation, Fund and Receipt Account, and Related Control Totals)		
DEPARTMENT OR AGENCY	LOCATION - MAIL ADDRESS OF REPORTING OFFICE	AGENCY LOCATION CODE (ALC)
BUREAU OR OFFICE		ACCOUNTING PERIOD ENDED
Section I— Classification of Disbursements and Collections by Appropriation, Fund and Receipt Account		
APPROPRIATION FUND OR RECEIPT ACCOUNT (1)	RECEIPTS AND REVOLVING FUND REPAYMENTS (2)	NET DISBURSEMENTS (3)
Discount Transaction A - Purchase (88) 20X5123 (75) 20X5123 20X6822.56 20X6822.57	<u>SPECIAL & TRUST FUNDS</u> 26,000.00	1,000,000.00 1,000,000.00CR 26,000.00
Discount Transaction B - Maturity (98) 20X5123 (75) 20X5123 20X5123.2 20X6822.56	1,000,000.00 26,000.00CR 26,000.00	 1,000,000.00
Discount Transaction C - Redemption (98) 20X5123 Prior to (75) 20X5123 Maturity 20X5123.2 20X6822.56 20X6822.57	1,000,000.00 26,000.00CR 6,000.00	 1,000,000.00 20,000.00CR
Premium Transaction D - Purchase (88) 20X5123 20X5123.2 20X6822.56 20X6822.57	 30,000.00CR	1,000,000.00 1,000,000.00CR 30,000.00CR
Premium Transaction E - Maturity (98) 20X5123 20X6822.56	1,000,000.00	 1,000,000.00
Premium Transaction F - Redemption (98) 20X5123 Prior to 20X5123.2 Maturity 20X6822.56 20X6822.57	1,000,000.00 20,000.00	 1,000,000.00 20,000.00
Accrued Interest Transaction G - Purchase (88) 20X5123 20X5123.2 20X6822.56 20X6822.57	 10,108.70CR	1,000,000.00 1,000,000.00CR 10,108.70CR
Interest Transaction H - Payment 20X5123.2 20X6822.57	60,000.00	 60,000.00

TO: HEADS OF GOVERNMENT DEPARTMENTS, AGENCIES, AND OTHERS CONCERNED

1. PURPOSE

This transmittal letter releases a revised Contacts page for I TFM 2-4300: Reporting Instructions for Accounts Invested in Department of the Treasury Securities. The investment function has transferred from the Financial Management Service to the Bureau of the Public Debt.

2. PAGE CHANGE

Remove

Contacts page

Insert

Contacts page

3. EFFECTIVE DATE

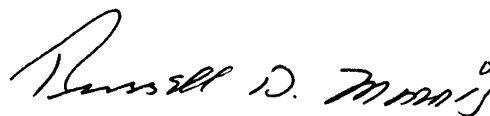
Upon receipt.

4. INQUIRIES

Questions concerning this transmittal letter should be directed to:

Department of the Treasury
Bureau of the Public Debt
Office of Public Debt Accounting
Government Investment Team
P.O. Box 1328
Parkersburg, WV 26101-1328
(Telephone: 304-480-5151)

Date: December 19, 1996



Russell D. Morris
Commissioner